

Date Mailed
February 5, 2002

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Investigation into Rate-Making Mechanisms Relating to Utility
Investment in Long-Term Purchase Power Agreements

05-EI-131

Petition of Wisconsin Power and Light Company for Declaratory
Ruling Pursuant to Section 227.41 Wis. Stats. Regarding a Purchase
Power Incentive Related to Its Tolling Agreement With Rock
River Energy LLC

6680-DR-107

**NOTICE OF INVESTIGATION,
HEARING AND ASSESMENT OF COSTS**

Comments Due:	Tuesday, April 2, 2002 – Noon
Hearing Date:	Tuesday, April 16, 2002 – 9:00 a.m.
Hearing Location:	Amnicon Falls Hearing Room, Public Service Commission, 610 North Whitney Way, Madison, WI

THIS IS A PROCEEDING, pursuant to Wis. Stat. § 196.28, to investigate ratemaking policies related to long-term purchase power agreements (PPAs) involving electric public utilities, as defined by Wis. Stat. § 196.20(4)(1)(2), and wholesale merchant plants, as defined by Wis. Stat. § 196.491(1)(w).

The Commission initiates this investigation in response to a petition from Madison Gas and Electric Company. Present ratemaking policy with respect to purchase power agreements was set by the Commission in its order dated December 28, 1993, in docket 05-EI-112, in which the Commission found that “it is reasonable to consider the risk to shareholders associated with entering into contracts with independent power producers as well as the risks attendant on constructing utility generating plants when determining a utility’s allowable return.”¹ This finding is ready for re-examination due to recent electric industry restructuring efforts and developments in Wisconsin.

Specific issues to be addressed by this investigation include, but are not limited to, the following:

¹ Ultimate Finding of Fact No. 7 of Findings of Fact, Conclusions of Law and Order at 39-40, dated December 23, 1993, *modified by* Order to Rescind, dated July 10, 2000, and *amended by* Amended Order to Rescind, dated September 13, 2000, in Commission docket 05-EI-112, *Investigation on the Commission's Own Motion Into Barriers to Contracts Between Electric Utilities and Nonutility Cogenerators and Certain Related Policy Issues*.

- 1) What mechanism(s) or approach(es) should the Commission apply to compensate an electric public utility for adverse affects to its credit quality caused by PPAs?
- 2) Is it reasonable for the Commission to authorize an electric public utility to collect in rates, in addition to the amount designed to recover that utility's contract costs and compensate it for credit quality degradation, an award for entering into a PPA?
- 3) Under what circumstances pertaining to PPAs should the Commission grant an award described in Issue 2?
- 4) What mechanism(s), or approach(es), should the Commission apply to calculate an award described in Issue 2?
- 5) In what type of proceeding(s), or under what process(es), should the Commission allow an electric public utility to apply for the relief described in both Issue 1 and Issue 2?

Furthermore, the Commission stays the proceeding in docket 6680-DR-107, pending a decision in the docket 05-EI-131 investigation. Except for this notice, documents in these proceedings shall not be co-docketed.

NOTICE IS GIVEN that a public hearing will be held beginning on Tuesday, April 16, 2002, at 9:00 a.m. in Amnicon Falls Hearing Room, at the Public Service Commission Building, 610 North Whitney Way, Madison, WI and continuing at times to be set by the presiding Administrative Law Judge. This building is accessible to people in wheelchairs through the Whitney Way first floor (lobby) entrance. Parking for people with disabilities is available on the south side of the building. Any person with a disability who needs additional accommodations should contact the docket coordinator listed below.

All electric public utilities, as defined by Wis. Stat. § 196.20(4)(a)(2), and Commission staff shall file written comments that include, but are not limited to, a response to each issue posed above. Any other person may also file such comments. Utilities and members of the public should submit a original and 15 copies of their comments. Comments must be received by **noon on Tuesday, April 2, 2002.**

Utilities and members of the public may file comments by facsimile. The facsimile filing may not exceed 20 pages and is due 24 hours earlier than the identified due date to allow time for copying. The cover sheets of a facsimile filing must include the docket number, state "Official Filing," and list the number of pages. Copies of the filing should be available at the hearing. File by one mode only.

Any member of the public may appear at the hearing and comment related to the scope of this proceeding, whether or not that person has filed written comments in accordance with this

Dockets 05-EI-131, 6680-DR-107

notice. All persons required to file comments in writing that have met this requirement may further comment at the hearing.

The Commission considers it necessary, in order to carry out its duties, to investigate all books, accounts, practices, and activities of all public utilities that participate in this case. The expenses incurred or to be incurred by the Commission which are reasonably attributable to such an investigation will be assessed against and collected from these utilities in accordance with the provisions of Wis. Stat. § 196.85 and Wis. Admin. Code ch. PSC 5.

The Commission does not discriminate on the basis of disability in the provision of programs, services, or employment. Any person with a disability who needs accommodations to participate in this proceeding or who needs to obtain this document in a different format should contact the docket coordinator listed below.

Questions regarding this matter may be directed to docket coordinator, Randel Pilo, at (608) 267-1474.

Dated at Madison, Wisconsin, _____

By the Commission:

Lynda L. Dorr
Secretary to the Commission

LLD:RAP:mem:g:\notice\pending\05-EI-131 & 6680-DR-107 Hearing 01-18-02